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University of Alabama and Auburn University say they are in no position to help financially with the state's ailing prepaid college tuition program

Plan has lost half of value in 18 months

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Officials with the University of Alabama and Auburn University said Tuesday there's little they can do to help with the state's ailing prepaid college tuition program, which has lost almost half its value in 18 months.

"We are in no position to help financially," Auburn President Jay Gogue and UA System Chancellor Malcom Portera said in a joint statement released Tuesday. They said they learned Friday about the troubles of the Alabama Prepaid Affordable College Tuition trust fund, or PACT plan.

"As we said in the meeting, we have our own set of difficult challenges as we face cuts in our budget, proration, and the impact on our students, faculty and staff," the statement continued.

PACT director Brenda Emfinger said Tuesday she fielded calls from parents all day but would not be able to say how the money will be paid out until after the PACT board meets later this month. She said the plan is paying spring semester invoices for students currently enrolled.

"Obviously, the fund is not broke. There's money there," she said - \$484 million at the end of 2008. "It's just that we've suffered losses like everybody else, so we're trying to resolve those issues."

The Legislature is unlikely to help, either, because of tough economic times, said the chairmen of the legislative committees who draft the state education budget.

State Rep. Richard Lindsey, D-Centre, who chairs the Education Appropriations Committee of the state House of Representatives, said a lot of people probably thought their money was safe.

"A lot of people assumed, because it's sponsored by the state treasurer, that it's guaranteed by the state," Lindsey said. "But, unfortunately, that's not the case."

That's what Linda Baker thought when she bought into the program for her grandson, now a senior at Homewood High School, 17 years ago.

"I never considered that there might be anything to lose," said Baker, who also put money into the plan for two younger grandchildren.

In fact, few state plans are guaranteed. Seventeen states offer prepaid college tuition plans, and only four of those - Florida, Massachusetts, Texas and Washington - are backed by the full faith and credit of their

states, according to Savingforcollege.com, a company that compiles college saving information.

The plans all depend on the stock market to yield returns that surpass tuition inflation, said Mark Kantrowitz, publisher of Finaid.org, a financial aid Web site. He said the programs are squeezed from both ends in a recession because the markets drop and tuition prices rise with decreasing state funding for higher education.

"There's an implied moral obligation on the state even if they don't have enough money," Kantrowitz said.

That's how Gina Adams, a Shelby County schoolteacher, feels. She and her husband spent about \$23,000 on PACT when her 10-year-old daughter and 6-year-old son were born.

"We thought for sure that their college would be paid for, and we wouldn't have to worry about that," she said. "Now we might be back to square one. ... I trusted the state, but now I feel like we're being defeated." News staff writer David White contributed to this report. hwolfson@bhamnews.com

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